

Cairo, December 2020

Press Release: **Sarwa Securitization Company S.A.E. – 34th Issue 2020-2025**

MERIS (MIDDLE EAST RATING & INVESTORS SERVICE) ASSIGNS NATIONAL SCALE RATINGS (NSR) TO THE 34th MULTIPLE-TRANCHE ASSET-BACKED SECURITIZATION BOND ISSUED BY SARWA SECURITIZATION COMPANY

MERIS (Middle East Rating & Investors Service) has assigned the following ratings on the national scale to the 34th multiple-tranche asset backed securitization bond issued by Sarwa Securitization Company S.A.E. and backed by a single pool of receivables in the amount of EGP 2,142,731,142. The notes will be redeemed sequentially in order of seniority and will follow a pass-through monthly amortization schedule, with the exception of the 1st tranche, which will follow a pre-determined amortization schedule.

Tranche A: “**AA+(sf)**” to the EGP 400 million Senior Fixed-Rate Notes due in December 2021, representing 24.6% of the aggregate issue size, with a coupon of 9.85% p.a. payable monthly.

Tranche B: “**AA (sf)**” to the EGP 876 million Subordinated Fixed-Rate Notes due in December 2023, representing 53.8% of the aggregate issue size, with a coupon of 10.35% p.a. payable monthly; Tranche B is callable from the 13th coupon.

Tranche C: “**A (sf)**” to the EGP 352 million Junior Subordinated Fixed-Rate Notes due in November 2025, representing 21.6% of the aggregate issue size, with a coupon of 10.55% p.a. payable monthly. Tranche C is callable from the 13th coupon.

All of the above ratings are considered investment grade on the National Rating Scale. An “**AA**” grade represents **Very Strong** Creditworthiness relative to other domestic issuers. “**A**” rated issuers or issues are considered **Above Average** in Creditworthiness relative to other domestic issuers or issues. The (+/-) signs denote relative status within each rating category and the (sf) insertion stands for structured finance.

The ratings are a relative ranking of risk and address the expected loss posed to investors by the bond maturity. In **MERIS**'s opinion, the transaction structure allows for timely payment of interest and ultimate repayment of principal with respect to the bond maturity.

Sarwa Securitization Company S.A.E. – a special purpose entity – was incorporated in Egypt in November 2005. The current notes are backed by fixed rate receivables arising from car sales contracts to customers domiciled in Egypt. The contracts have been initially co-originated by Contact Credit Company (84.1% of the principal outstanding balance), Contact Egyptian International Motor Credit (CEIM) (7.9%), Ezz El Arab-Contact Financial (ECF) (4.1%) and SMG Financial Services (SMG) (3.9%). The collateral portfolio comprises a static pool of 4,925 fully amortizing fixed-rate contracts for financing the purchase of brand new passenger and commercial vehicles (79%) and used passenger and commercial vehicles (21%). At issuance, the total outstanding receivables will amount to EGP 1,805,398,141 (net present value of the portfolio discounted at the notes weighted average coupon rate).

The ratings of the notes are based on: (1) a credit assessment of the initial portfolio of underlying auto receivables, which reflects the Originators' strict underwriting, collection and monitoring guidelines and procedures; (2) the level of protection provided to investors by the credit enhancements in the form of (i) over-collateralization in the amount of 3.6% net of expenses; (ii) subordinated administration fees in the amount of 2.5% p.a. of the principal outstanding balance of the portfolio that will be available on a monthly basis and will be paid only if the collection account has sufficient funds to cover the liquidity reserve, default reserve, senior fees and expenses, as well as coupons and principal amortization of Tranche A; and (iii) structural subordination of tranches B and C to the more senior tranches; (3) the liquidity support in the form of a cash reserve account in the size of 3.5% of the outstanding aggregate notes balance, which is to be funded up front from the first four months of collections and adjusted on a monthly basis thereafter in accordance with the notes' amortization; (4) the availability of a default reserve account to be funded from the overcollateral by setting aside 0.6% p.a. (0.05%

monthly) from the previous month's beginning principal portfolio balance on a monthly basis; (5) the granularity of the pool (concentrations per client less than 0.19% of the total principal outstanding) as well as the pool's relative diversification in terms of car make and geographic distribution; (6) the relatively reasonable weighted average loan-to-value ratio at origination (72.4%), which accelerates the build-up of owner's equity into the assets and hence increase the recovery potential in case of defaults; (7) the significant experience of the Servicer and efficiency of its operating systems as reflected in the low-default historical performance of the auto receivables originated by Contact Credit Company previously; and (8) the availability of a contractually appointed back-up servicer.

The assigned ratings also take into consideration the following weaknesses of the transaction: (1) the generally greater uncertainty associated with unrated Originators, mitigated, however, by the Originators' experienced management team and strict adherence to its underwriting policies and procedures, which assure a high quality receivables pool; (2) no independent calculation agent for the subordinated administration fees, partially mitigated by the performance reports to be issued by the Custodian and verified by the Auditors within a month after the actual cash disbursement date; (3) 21% of the securitized receivables are related to the sale of used vehicles, which are associated with a greater probability of default, due to the relatively riskier credit profile of the buyers; nevertheless, the majority of the used cars included in the securitization portfolio are premium brands, which indicate high creditworthiness of the buyers; (4) the relatively low average seasoning of the pool (only six months), as 69% of the contracts have been generated over the last 6 months; (5) the administration fee subordination provides limited support to Class B and C notes, and is most useful during the life of class A notes due to the predetermined amortization schedule of the notes, in addition to the more sizeable amount of the subordinated fees during the life time of tranche A; (6) the existence of legal uncertainties, given that the key legal concepts underpinning securitization remain largely untested in judicial proceedings or in practice in Egypt, mitigated by the legal opinions provided by the transaction's legal advisor on issues such as true sale, separateness of accounts, commingling and consolidation risk.

MERIS will monitor the transaction on an on-going basis and will issue regular performance reports.

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